

Business league; appointing travel agents. A nonprofit organization, formed by carriers engaged in regular transoceanic passenger service, whose primary activity consists of appointing travel agents to book passenger travel on its members' ships is performing particular services for its members and does not qualify for exemption under section 501(c)(6) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization was formed by several carriers engaged in maintaining a regular transoceanic passenger service. Its purpose is to promote, improve, and regulate the sale and handling of passenger traffic within a particular area and to harmonize policies and stabilize fares for the benefit of its members and the traveling public.

The organization's primary activity consists of appointing travel agents to book passenger travel on the ships of its members. Each appointed travel agent is required to pay an annual fee to the organization and is required to be bonded by a company selected by the organization. The principal purpose of this bonding is to indemnify the organization's members against losses which they might sustain as a result of some act by the travel agents. A list of approved travel agents is periodically distributed to the organization's members who furnish promotional materials to such agents to assist them in selling passages. Travel agents are paid commissions for selling passages by the individual members of the organization.

Income of the organization is derived primarily from travel agents fees and disbursements are for operating expenses.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of nonprofit business leagues whose net earnings do not inure to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having a common business interest. The activities of the association must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

By appointing travel agents to sell passages on the ships of its members under the circumstances described above, the organization is providing its members with a service that assists them in the conduct of their businesses. This activity constitutes the performance of particular services for members and is not directed to the improvement of general business conditions

within the meaning of the regulations. Accordingly, the organization does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.